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The “cloud” Europe and Germany as the European stabilizer

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Abstract

Since the global economic crisis emerged, the European Union confronts several and substantial challenges in its roots. The fundamental European vision of stability, growth, prosperity and economic convergence seems to be at stake, mainly, by the citizens of the countries that suffer from the consequences of lengthy austerity measures and economic recession. The European Union itself changed since 2009. As the Franco-German axis is crumbling, Germany – even reluctantly for some analysts – became the essential leading force in the EU and hard fiscal policies dazzled bright characteristics of the EU. Intergovernmental controversies are coming at the front of the stage once again. We argue that is time for the European Union to seek for another approach of itself, an approach beyond the narrow intergovernmental processes, beyond even the “spill-over effect” model that guided the monetary unification. The aim of this paper is to draw the “cloud Europe” approach, show its characteristics and attributes. The “cloud Europe” scheme, based upon the “cloud Computing” characteristics from the field of ICTs, can stimulate again the European vision, and revitalize the European cooperation in terms of positive and reliable aspects and not just in terms of heavy fiscal discipline. We use a theoretical adaptation from the ICTs’ area to the political field of the European organization and successful cases of best practices such as the progress of Estonia towards the digital economy and the growth of digital infrastructures. The leading role of Germany in an approach like that can turn the country into a European stabilizer.

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1. Introduction

Since the global economic crisis emerged, the European Union confronts several and substantial challenges in its roots. The fundamental European vision of stability, growth, prosperity and economic convergence seems to be at stake, mainly, by the citizens of the countries that suffer from the consequences of lengthy austerity measures and economic recession (Vasagar 2013). The European Union itself changed since 2009. As the Franco-German axis is crumbling and Germany – even reluctantly for some analysts – became the essential leading force in the EU (The Economist 2013), hard fiscal policies dazzled bright characteristics of the EU, such as the “island of stability” (Henning 1998, p.545), or the “second superpower” (Moravcsik 2010, p.93). The well-known “German problem” is rising again upon the public and academic discussion, the Eurozone becomes “nervous” and indebted countries such as Greece are becoming uncertain (Matthijs & Kelemen 2015). Poor countries cannot look at the future optimistically and intergovernmental controversies are coming at the front of the stage (Kotios & Roukanas 2013).

We argue that it is time for the European Union to seek for another approach of itself, an approach beyond the narrow intergovernmental processes, beyond even the “spill-over effect” model that guided the monetary unification (Tsounis & Polychronopoulos 2014). Going a step further, we argue that the EU has to draw away from “one suit for all” methods (Johnston & Regan 2014, p.15) and apply a new model of organization, the “cloud Europe” as we call it. This model could help EU to solve performance issues that blank out its transformative power, empowering member states to specific sectors where amelioration is necessary (Mungiu-Pippidi 2015, pp.121–124).

The aim of this paper is to draw the “cloud Europe” approach, show its characteristics and attributes, point out how this model can be adaptive to each country’s needs, particularities, advantages and properties and mainly to show why this model is needed especially the current period. The “cloud Europe” scheme, based upon the “cloud Computing” characteristics from the field of ICTs, can stimulate again the European vision, regain the hope and the trust of European citizens and revitalize the European cooperation in terms of positive and reliable aspects and not just in terms of heavy fiscal discipline.

The main pylons of our work are: EU/EMU needs common policies and facilitation of cooperation in a multilevel governed environment (Scharpf 2015, pp.399–400); EU/EMU needs more integration of core states, going beyond well-known governance controversies (Genschel & Jachtenfuchs 2015, p.11); The EU/EMU institutional framework has acceptance from the member states about its sector specific expertise and knowledge but it needs to be elevated to an “on-stop-shop” provider of “ways of doing things” (Chou & Riddervold 2015, pp.68–69); One-dimensional recent fiscal rules such as Fiscal Compact, Two Pack and Six Pack, supranationally imposed, seem ineffective (Kuk & Staehr 2015a, pp.84–85); and finally, low level / soft law efforts such as the Open Method for Coordination (OMC) or the European Semester stop short to monitoring and accounting tasks and in practice exclude member states that really need better policies especially from a socioeconomic aspect (Bekker 2014).

We use a theoretical adaptation from the ICTs’ area to the political field of the European organization, empirical data (ex. Greece’s facts about the unemployment) and successful cases of best practices such as the progress of Estonia towards the digital economy and the growth of digital infrastructures.

We finally claim that there is no need to reinvent the wheel anytime a country needs help or support, and no need to implement a contemporary Procrustean bed of austerity measures. The “cloud Europe” will help the EU to share best practices and policies, reaffirm its “power of attraction”, and keep the EU united in diversity. As Drumaux and Joyce conclude “*the key characteristic of a multi-level governance system is the multiplication of coordination mechanisms*” (Drumaux & Joyce 2015, p.16). Our work outlines substantially a mechanism towards that direction. The leading role of Germany in an approach like that can turn the country into a European stabilizer.

2. The rise of old questions about the EU and EMU governance and the need to reform

The creation of the European Union (EU) was and still remains one of the most ambitious and prosperous projects in the world in terms of different countries’ voluntary participation in an organization with supranational

characteristics. The European continent enjoys the longest period of peace among its nations and the EU holds a key role in the international system while, in the same time, its member states maintain their sovereignty(Charalambides 2013, pp.22–23).

The core values, such as prosperity, stability, economic growth, social solidarity, rendered the EU to an attractive organization numbering today 28 countries. The procedure of gradual integration, having its roots to the European Coal and Steel Community (ECSC) and the European Economic Community (EEC) back to the 1950s decade, comprises an enduring field of academic study and research. Two main political theories strive against each other about the quintessence of the EU, the Neofunctionalism and the Intergovernmentalism, while other theories such as Federalism, Transactionalism, Functionalism, Liberal Intergovernmentalism, Social Constructivism try also to examine the process of European integration(Thalassinos & Dafnos 2015). In the relevant literature one can also find the rational choice institutionalism, the sociological institutionalism, the historical institutionalism and the legislative politics approaches, trying to disclose the role of institutions in the global system examining the economical, financial, political and social dimensions or policy decisions of states and international organizations(Manoli & Maris 2015).

During the 1990s the EU took a major step towards its full integration by creating the Economic and Monetary Union (EMU) after the European Council meeting in Maastricht in 1991 and the ratification of the Maastricht Treaty in 1993, using the idea of the “spill-over effect” as the lever for further integration and institutional evolution(Verdun 1999, pp.308–313). The era of the single European currency started with hope and applause. By the adoption of the Euro on 1st January 2015, Lithuania became the 19th member of the Eurozone, replacing its national currency.

It is important for the purposes of this paper to quote how the EMU is described at its own website: *“Economic and Monetary Union takes the EU one step further in its process of economic integration, which started in 1957 when it was founded. Economic integration brings the benefits of greater size, internal efficiency and robustness to the EU economy as a whole and to the economies of the individual Member States. This, in turn, offers opportunities for economic stability, higher growth and more employment – outcomes of direct benefit to EU citizens.”*(Ec.europa.eu 2015).

That was not the first time that the European Community tried to adopt a common currency. In 1970 the Werner Plan presented a scheme of economic and monetary union and a new institutional framework of a possible future EMU. The debate that sank the effort was the one between monetarists and economists, between France and Germany correspondingly as the leading states of the two groups. France was refusing to transfer sovereignty to supranational European institutions and was circumspect to the restrictive German economic policies(Maes 2004, pp.26–31). Once more, as it happened before with the European Defense Community (EDC) initiative during the period 1950 – 1954, the pursuit of an intergovernmental preponderance against supranational institutions emerged as the main obstacle(Dwan 2001).

In today's EMU the main governance actors are the European Council, the Council of the EU, the 'Eurogroup', the MemberStates, the European Commission, the European Central Bank (ECB) and the European Parliament. This scheme could be seen as a golden section between intergovernmental and supranational sense. Intergovernmental and supranational institutions coexist and cooperate towards a common purpose, comprising the decision policy system of the EMU.

After the establishment of the EMU the aforementioned scheme seemed to work adequately. For a long period of common stable and continuous economic prosperity, without major economic problems of member states and smooth access to lending mechanisms of the global financial system, the governance framework of the EMU was out of the public discussion and the attention of the media. The academic work about integration theories remained unobtrusive, away from lights of publicity.

Suddenly, everything changed. The global economic crisis of 2007 – 2009 and especially the Eurozone crisis that followed and it is still marching, revealed the vulnerabilities of the EMU governance framework. As it is considered, *“the institutional mechanisms surrounding the euro have been an integral part of the crisis”*(Lapavitsas et al. 2010, p.322). Sklias and Maris are pointing out that *“the crisis has raised old questions about European integration concerning the centrality of the state, and interstate interactions”* and that *“in the economic dimension of the EMU from 2010 onwards, primarily Germany and France have attempted to change the framework for economic governance in Europe. Their efforts are based on an intergovernmental approach focused on the sovereignty of the nation-state compared with supranational players and on the intergovernmental method instead of the Community Method”*(Maris & Sklias 2015, p.2).

The old questions returned not only as a clash between intergovernmental and supranational perceptions. The whole image is quite multifarious.

The “German problem” or the “German Question” rose again for two main reasons. First, Germany is the most economically powerful member of the EU and the EMU, being in place to determine and sometimes to inflict the fiscal and monetary policy of the EMU (Berggruen & Gardels 2013). Second, there is a consensus that the “*German economy thrived while other European economies have struggled*” (Reisenbichler & Morgan 2013).

Other issues such as competitiveness and exports’ surpluses led fatefully to comparisons between member states in a way that call up pure realistic theories of national interests (Sinn 2014). Long-term austerity measures that are implemented as a remedy for indebted countries, Greece is the main case here, exhaust weak national economies and make disintegration a possible choice as people are losing their faith to the European vision (Karyotis & Gerodimos 2015, pp.259–271). In other words, while Germany has the institutional power to impose disciplinarian fiscal measures to countries steering supranational institutions like the European Commission or the ECB, “*the Commission does not have the legal instruments to impose internal revaluation measures onto Germany*” in order to help debtor countries (Vermeiren & Steinberg 2015, n.pag. Print.).

Furthermore, there are studies about the EMU governance that underline the weak surveillance and enforcement of policies that could attain economic growth together with social cohesion and welfare (de la Porte & Heins 2015). Other studies put directly issues of de-democratization of the EU/EMU during the economic crisis (Giannone 2015). Even specific planned policies seem to be austerity driven. For example, “*‘European Semester’ generalizes the austerity requirements*” (Scharpf 2015, p.390) while “*programme or bail-out countries that signed a Memorandum of Understanding with the Troika did not receive CSRs (Corporate Social Responsibility) while subject to a financial assistance programme*” (Bekker 2014, p.7).

There is no need to repeat the rich literature in order to show that the European vision is at the crossroads. European cohesion and prosperity are in great danger from threats like unemployment, recession, and persistence to austerity measures. Obviously, the institutional changes in the Eurozone during the crisis are not enough (Tsounis & Polychronopoulos 2014). Even more, the results of a European disintegration would be catastrophic (Kugler et al. 2015).

We claim that the EU/EMU needs a practical reformation of its philosophy, of its sight about the economic governance policies. Sapir and Wolf, having the same direction, propose a Eurosystem of Fiscal Policy (EFP) detecting that the reform is needed in three major areas: the banking and finance system, the labor market and the fiscal governance system (Wolff & Sapir 2015). We propose an interdisciplinary consideration of the EMU governance beyond strict theories of the relevant academic discussion. Trying to draw away from Neofunctionalism or Intergovernmentalism, we are borrowing a well-known model from the field of Information and communications technologies (ICTs), the cloud Computing, and adopt it to the Europe’s governmental framework. It is interesting that one could later apply the aforementioned political/social theories to this model as well.

In the EU, a theoretically near relevant implementation was the Open Method for Coordination (OMC) timed back to 2000 (de la Porte 2002, pp.39–41). But, OMC applied mainly to areas of social protection and social inclusion, were formatted as a benchmarking tool and not as a holistic philosophy of cooperation (Helderman 2015, p.50).

3. Adopting the cloud computing philosophy to the “cloud Europe” scheme

Summarizing the ground about the necessity of a new EMU governance aspect that could revive and boost the European vision, some pivotal fields can be outlined. The transnational procedures of cooperation, the regulatory governance, the inadequate business models of some countries, the internal imbalances of the European construction, the asymmetric economic approaches, the margins between austerity and sustainable economic growth, the unemployment, the lack of incentive – based instruments, the insufficient contribution of the European institutions to the battle against crisis, some technocratic obsessions about restrictive policies provoked new intergovernmental rivalries in the EMU and created a context of discontent and economic hardship to citizens of many countries (Manoli & Maris 2015).

A new holistic model of integration and convergence seems imperative. And we are heading to one of the primary reasons of the establishment of an international organization such as the EU/EMU: the pooling resources and policies (Thalassinos & Dafnos 2015, p.16). That is exactly the essence of cloud Computing in ICTs.

“Cloud” derives from the Internet, operating as a mean of common area, an interconnected set of digital pipelines that ensure the physical communication between different computer systems all over the world. It is the glue for a common system – place, if you want to make a parallelism to the common marketplace of the old EEC. To the next level there is the cloud computing, a relatively new paradigm that turns basic computing elements into services. Three sets of services can be recognized: Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS)(Farahnakian et al. 2015). Users of a cloud computing implementation can have access to hardware or software resources via Internet according their specific needs at any given time. They don’t have to own, or build, or physically acquire these resources, they just can use them dragging them from the cloud.

Describing another similarity, we are talking about a pool of resources. Ross and Blumenstein give a fair definition by writing that *“cloud-based ICT models then provide cheaper ‘up-front costs’, as firms shift away from capital investment in ICT infrastructure, license and personal maintenance costs, towards a ‘pay-on-demand’ ICT model, whereby firms only pay for the externally based ICT services that they use. This is especially attractive for smaller firms [...]”*(Ross & Blumenstein 2015, p.91). In the field of ICTs the use of cloud-based models does not refer only to individuals or firms. Transnational information systems (TIS) are exactly an implementation linking different countries in a supranational way(Rukanova et al. 2015). There are also relevant EU initiatives, such as the ECOSSIAN project which implements a pan-European technological structure for security attacks against critical infrastructures(Kaufmann et al. 2015).

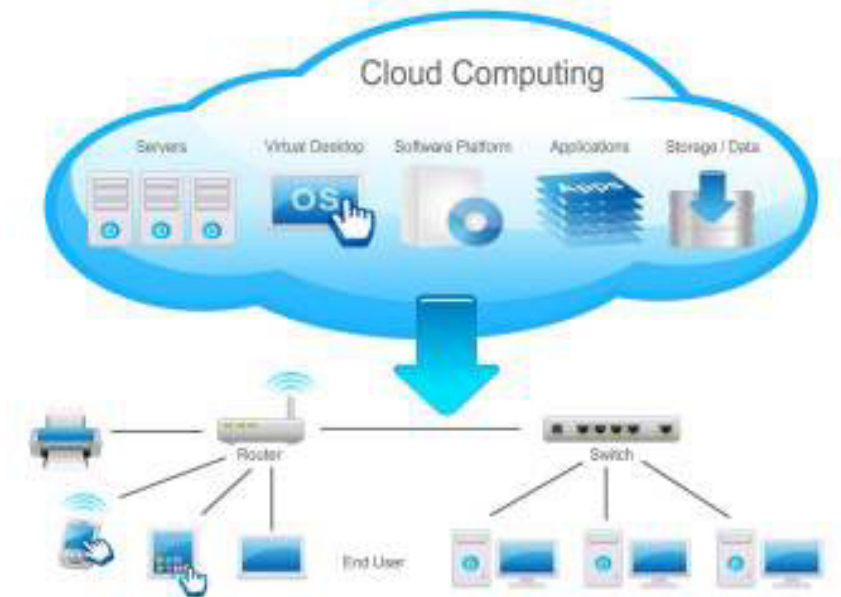


Fig. 1. The cloud Computing Scheme
(Image source: <http://www.moderntech.com.hk/en/solution/103>)

The general technological philosophy of cloud Computing is depicted in Fig.1(Moderntech n.d.). End users have access to a variety of services as described before and resources are allocated according to their needs. For the purposes of this paper we won’t go deeper to technical analysis of how this scheme can be implemented, we stay focused to the general operational logic in order to provide the fundamental characteristics of this ICT implementation and use it as an analytical formation that will be adjusted to the European governmental notion.

Adopting the cloud Computing philosophy and following the need of reformation of the EU/EMU area, we propose the “cloud Europe” scheme. Elevating the advantages of such a technological implementation, we believe that similar and more advantages could be met to the social/political level(Chou 2015). Cloud Computing is

basically trying to elaborate in a heterogeneous environment. EU/EMU is also a heterogeneous political and economical environment sketched from the various member states, straining to achieve integration and convergence. Figure 2 depicts the “cloud Europe” scheme.



Fig. 2. The "cloud Europe" scheme

EU/EMU can be imagined as the cloud of the member states. A common institutionalized operation network, where each state provides best practices and successful models in several areas. As the EU/EMU framework is already known, policies would be designed institutionally as it happens today. Industrial – technological material and efficient groundwork would be available for all member states as a “manual” for those falling short. Innovative implementations, infrastructure planning and management functions could be offered from successful cases and experiences of each state to the others. Workforce could also be a part of such a scheme. Each country disposes a given workforce with specific attributes, abilities and specialties. In the “cloud Europe” member states would be in place to develop already successful paradigms in order to get over difficulties and mismatches in an integrated environment. Furthermore, economic resources can be guided exactly where they are needed and not to ambiguous and sometimes overoptimistic projects.

The advantages of the scheme can be synopsized as follows: 1. Sharing resources, best practices and good policies to member states. 2. Adaptability to specific member states’ needs. 3. Adaptability to member states’ advantages. 4. Integration of prolific procedures. 5. Common standards and policies. 6. Socioeconomic interoperability. 7. Growth and employment. 8. Setting off good practices. 9. Voluntary intergovernmental cooperation. 10. Bidirectional operation between member states and the supranational cloud.

Another advantage of the “cloud Europe” scheme is that is trying to stand away from traditional debates as the one between Neofunctionalism and the Intergovernmentalism. We propose a bidirectional and interactive EU/EMU governance framework in terms of resources against economic crisis. Member states contribute to the parts of the “cloud Europe”, creating a pool of resources and on the other hand, they can use institutionally evaluated resources that are judged as “state of the art”. As cloud Computing provides what is needed, when is needed to its users, the “cloud Europe” would be a pool of appropriate policies against manifold challenges.

The policies of fiscal and budgetary discipline alone have already proved insufficient in the EU/EMU (Kukk & Staehr 2015b). As Otmar Issing, former member of the Executive Board of the ECB, wrote back in 2001, “*structural diversity and continuing divergences in policy in other fields, if coupled with a “one-size-fits-all” monetary policy,*

could be an enduring source of policy dilemmas, economic division and political conflict” (Issing 2001, p.442). Even in Greece, where a Task Force was created in the wings of Troika in order to provide a set of adequate policies and structural reforms, the scenario finally ended with unprecedented horizontal cutbacks on salaries, operational expenses and personnel levels (Spanou 2015). This logic created severe social problems and relevant literature show that extreme austerity measures finally blast the prospect of an economy to cope with the financial crisis (Kosmidou et al. 2015).

We suggest “cloud Europe” as a path to a renewed European vision, to a refreshed governance framework of the EU/EMU where the supranational level [the “cloud Europe”] would be a real field of cooperation and not a field of national antagonisms. The *terminus ad quem* is double. On the one hand the EMU’s social dimension and institutional cooperation would revive (Bekker 2014, p.4). On the other hand, member states could better form and participate to the cross-sectoral knowledge and expertise of EU/EMU authorities, implement policies domestically needed and keep their pace on a single track integration model which is proven as preferable (Hvidsten & Hovi 2015, pp.19–20).

4. The role of Germany and cases of our approach’s implementation

In this section some cases of our approach’s implementation will be discussed. The role of Germany in the EU/EMU will be analyzed as well.

The imbalances between north and south economies of the EU and the key role of Germany in the in the Euroarea are known (Johnston & Regan 2014, pp.8–12). As David Marsh writes, “monetary union, designed to produce the opposite, has reinforced German strength and a ‘European Germany’” (Marsh 2011, p.293). So, as Germany became the leading economic power of Europe, today seems as the only power that can save the Euro but it has to draw away from imposing one-dimensional austerity measures and from the belief that the German model can be generalized to all states (Matthijs & Blyth 2011). Using the words of Schweiger, “*Germany’s insistence on putting fiscal austerity at the heart of the EU’s emerging post-crisis agenda has alienated many member states, particularly those who face grave social consequences as a result of the crisis.*” (Schweiger 2015). We agree that Germany can become the European stabilizer and support the Euro by underpinning growth policies by its politico-economical power and initiative (Aizenman 2015). But this cannot happen in terms of dominance not only because that would demolish the European ideal, but because Germany also needs to adopt best practices from other member states. Let’s portray how the “cloud Europe” scheme could help towards this direction.

The first case is Greece. After many years of recession and the enforcement of fiscal and austerity measures the turmoil still continues. Significant indicators such as the unemployment aren’t ameliorated. Recent reports show that youth unemployment stands at 52,4 % and even worse, long-term unemployment threatens Greece’s social structure (Chan 2015). The problem deteriorates if we take into account that usually socioeconomic implications of a financial crisis break out later at the regions wide of the capital cities. Indeed, in Peloponnese, a Greek Region, 20.903 people were officially recorded unemployed in Jan. 2009, 39.083 in Jan. 2013 and 41.944 in Jan. 2014 according to the figures of the Labor Union of Korinthia, depicted in Fig.3 (Katemis 2015). Going deeper, in Korinthia, a Prefecture of the Peloponnese Region, the same figures show that unemployment measured at 32 % in Nov. 2014, rising 3,65 % between April and November 2014 only (Katemis 2015). In March 2013, the “Institut der deutschen Wirtschaft Köln” published a study where some criteria like the relative income poverty, the subjective income poverty, the low standard of living and the financial strain, which indicates how well households cope with their income, were used to measure poverty. Greece was third, topping only Romania and Bulgaria (Schröder 2013).

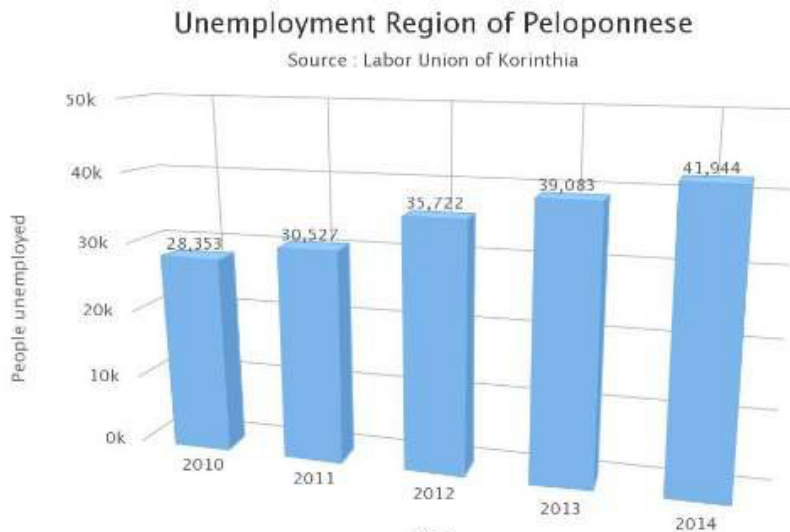


Fig. 3. Officially recorded unemployment in Peloponnese

Source: (Katemis, 2015)

General fiscal disciplinary and austerity measures cannot dive into the “pixels” of the whole image. They cannot propose the way such regions could specifically solve the problem. If the skills of these people, the available infrastructures, the industrial capabilities of the regions, their advantages and the conditions of growth aren’t analyzed, if a best practice solution isn’t proposed, how such regions can seek a better future? This is where the “cloud Europe” applies. A set of best practices and policies could be offered according to the specific attributes of any region. Horizontal programs of the EU/EMU can’t operate sufficiently. Local complexities must be taken into account and each region could have access to the exact necessary resources that could lead them to the light.

To be more specific, a second case is examined. Here the subject is the digital ecosystem and how a country with exceptional performance could supply the “cloud Europe” with best practices and policies. As recent media reports mention, the European digital landscape is fragmented (AFP 2015). According to a study of the Fletcher School, the majority of European countries, including Germany, are slowly advancing or receding in the field of innovative digital infrastructures and policies that could boost their economies (Chakravorti et al. 2015). On the same time, Estonia, an EU/EMU member state shows remarkable progress. 15 % of its GDP comes from high-tech sector, has declared Internet access to be a human right, the country has ample free WiFi – the world’s fastest, almost every purchase can be made electronically including street vendors, health-care programs support electronic prescription service, they even have an e-residency program and the government utilizes an e-Cabinet system (Schnurer 2015).

The core of the “cloud Europe” scheme is found in the logic: *“Most developed countries with aging demographics have been stalling out. The only way they can jumpstart their recovery is to follow what stand out countries do best”* (Chakravorti et al. 2015). That’s exactly the essence. In this case the scheme operates reversely. A member state with outstanding performance in an area provides the cloud with its policies and good practices which produced such a progress. The other states don’t have to reinvent the wheel. They can adopt the guidelines and move forward. It’s not about the dominance of one country, but about the dominance of prolific practices that can help all the member states.

5. Conclusion

With the financial crisis still shaking the European structure, the reformation of the EU/EMU’s Governance framework is becoming imperative. Fiscal discipline based on a German model and austerity measures imposed to indebted countries look like a Procrustean bed. The European vision fades away for people who are subjected to such policies. Financial, fiscal measures aren’t a panacea. Soft law social policies or just monitoring and

benchmarking approaches cannot reassure the European ideal. Europe needs to move forward integration and convergence without sacrificing indebted nations' generations. Furthermore, there are fields where EU/EMU could use better cooperation and consolidation. Sector specific expertise supranational authorities / institutions need to operate as an "on-stop-shop" point for member states, where policies and practices can be interactively and mutually shaped. Domestic needs should be considered and common policies would not seem as an external interference to member states' people. The single track integration operation of the EU/EMU doesn't have to be dominantly or hegemonically guided, but a new inspired cooperation mechanism could reinforce the transformative power of the European common effort.

In this paper a new Governance scheme/logic was introduced: the "cloud Europe". We tried to present an interdisciplinary conception in order to prolifically avoid the traditional debates of political theories. Without overriding their useful connotations a new concept of collaboration, integration and cooperation among member states was introduced. We don't vindicate some member states' wastefulness financial policies, but here the large picture is to seek a way towards serenity in the EU/EMU that could help cope with the crucial challenges of now and tomorrow. We also claim that Germany, amplifying the "cloud Europe" can turn into a European stabilizer rekindling the European ideal.

There is a lot of work remaining to strictly define the operation of such a scheme. Future study is needed but we hope that the "cloud Europe" brings forward the right direction.

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